

EX-IM BANK MEDIUM-TERM REPETITIVE SALES BANK-TO-BANK EXPORT CREDIT INSURANCE POLICY

SUMMARY

Financial institutions seeking Ex-Im Bank support to insure sales of U.S. capital equipment from multiple U.S. exporters to multiple foreign importers can insure those obligations against losses with Ex-Im Bank's medium-term bank-to-bank policy. The policy covers transactions involving obligations from a foreign financial institution (referred to under the policy as the "Buyer"), and protects the insured against non payment due to the Buyer's failure to pay because of unforeseen commercial or political reasons. The policy can help U.S. exporters obtain financing and, therefore, compete in selling overseas by supporting multiple sales from various U.S. suppliers to various foreign importers.

POLICY FORMAT

A "**Documentary**" policy will be issued to financial institutions wherein the insured bank will be required to obtain specific documents (signed Buyer obligation, transport documents, invoice and Exporter Certificate, form EIB94-07) which evidence conformity with the policy requirements. The insured financial institution is protected against fraud, disputes and other defects of the underlying transaction. If the beneficiary of the funding is other than the exporter, a Beneficiary Certificate, form EIB92-37, is also required.

Ex-Im Bank issues a policy with endorsements stating the parameters of coverage. The policy enables the insured to finance transactions under an authorized limit without further review by Ex-Im Bank on the particular transaction the insured wishes to finance. Unlike other Ex-Im Bank single buyer, medium-term policies, the insured does not need to receive pre-approval from Ex-Im Bank on the specific exporter and importer as long as the insured adheres to the terms and conditions outlined in the policy.

WHAT IS COVERED

The maximum cover available under medium-term policies is \$10 million excluding interest and insurance premiums. All cover is subject to Ex-Im Bank foreign content guidelines. Ex-Im Bank's medium-term policies cover **two types of losses**:

1. **Commercial losses** resulting from nonpayment for such reasons as a buyer's insolvency or failure to pay an obligation within six months of the due date.
2. **Political losses** from certain specifically defined risks, such as war, revolution, cancellation of import or export licenses, and currency inconvertibility.

Ex-Im Bank indemnifies an insured for 100 percent of the financed portion, after a 15 percent cash payment due prior to delivery, and 100 percent of the interest in the event of a loss. If post maturity interest is specified in the note, it is also covered at the original note rate up to the date of claim payment or 270 days, whichever is earlier.

The policy covers credit sales in which payment terms range between one and five years (exceptionally 7 years). This policy is designed to accommodate sales of eligible capital goods made by multiple exporters to multiple importers over the course of a one year period under a bank-to-bank medium-term line of credit. The Buyer's obligation to pay must be evidenced by a promissory note. The financed portion may be payable in at least semiannual equal installments of principal and interest.

ELIGIBLE CAPITAL GOODS

Products eligible for support under the policy are capital goods, including the normal complement of spare parts, major components, and related assemblies (and installation charges if done by U.S. personnel) with a unit value equal to or greater than \$5,000 and a contract value of at least \$50,000. The following list is illustrative:

- (1) Agricultural, fishing and forestry equipment
- (2) Communication, telecommunication, sound/ image reproduction equipment and systems
- (3) Construction equipment, such as earthmoving equipment
- (4) Power generating and transmission equipment, such as turbines and transformers
- (5) Manufacturing equipment, such as machine tools and metal working machinery
- (6) Mining, extraction and refining equipment, such as draglines and excavators
- (7) Industrial machinery, such as motors, boilers and furnaces (including furnace liners, e.g. refractory brick)
- (8) Transportation equipment, such as road vehicles and railway equipment
- (9) Office machines, such as copy machines and computers

Unless specifically authorized, coverage under this policy will not apply to the sale of used equipment, sales of product by an exporter or supplier which is related to the importer, and sales of aircraft, ship, boat or other watercraft. Used equipment sales require a Used Equipment Questionnaire, form EIB92-63, and Livestock sales require a Livestock Questionnaire, form EIB92-62. Sales for the purpose of resale such as to a dealer or distributor have a maximum credit term of two years.

ADDITIONAL REPORTING REQUIREMENTS

The insured is required to supply, on a quarterly basis beginning three months from the effective date of cover, the following information on form EIB99-22:

- (1) Name, phone number and address of the exporter(s)
- (2) SIC code of the exporter and if the exporter is classified as a small business per SBA guidelines
- (4) A brief description of the product(s) shipped by each exporter including the contract amount, name, phone number and address of the importer and the intended end use of the product by the importer.
- (5) If the exporter is not the manufacturer, information under items 1 & 2 should be submitted on the supplier as well.

ELIGIBLE REPAYMENT TERMS

The length of payment terms available under Ex-Im Bank medium-term policies depends on the total contract price of the capital goods being exported. The following table shows the maximum terms for specified dollar amounts:

<u>Contract Price of Transaction</u>	<u>Maximum Payment Term</u>
less than \$80,000	two years
\$ 80,000 - less than \$175,000	three years
\$175,000 - less than \$350,000	four years
\$350,000 or more	five years

PREMIUM RATES AND PAYMENT

Policies require premium payment by the 15th day of the month immediately following each insured funding, form EIB92-30. Premium is calculated on the financed portion of the medium-term shipments made during the period. Premium rates are endorsed to the policy.

OVERDUES AND CLAIMS

Insureds must report, form EIB92-28, all buyers which fall into default on a monthly basis after they reach 60 days past due. In all cases, these monthly reports of overdues situations should continue for as long as the overdues exists, or until a claim is submitted. Insureds are also required to notify Ex-Im Bank within 10 days of learning of the insolvency of a Buyer or if the Buyer is experiencing financial or other difficulties which would likely cause a loss under the coverage. When claims are submitted, copies of all documents pertaining to the transactions, such as invoices, bills of lading, promissory notes and guarantees, should be forwarded in conjunction with proof of loss form EIB92-26 for review.

For commercial default claims, there is a 180-day waiting period after the date of default before a claim can be filed. For claims resulting from the insolvency of the buyer or for one of the political risks defined in the policy, there generally is no waiting period for filing a claim. The latest date for filing any type of claim is 240 days after the date of default.

INFORMATION REQUIRED FROM APPLICANTS

The applicant must submit a completed application, form EIB92-48, including information about the buyer (foreign bank). The review of the information will be done under the guidelines noted in Ex-Im Bank's Medium Term Credit Standards, EBD-M-39.

MORE INFORMATION

Also see the Fact Sheet on: Medium Term Export Credit Insurance EIB92-15

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